ILLINOIS BUSINESS REVIEW

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HIGHLIGHTS OF BUSINESS IN JANUARY

Business continued to improve slowly in January. Industrial production, at 143 percent of the 1947-49 average, was up a point from the December adjusted index. Steel production averaged about 2.1 million tons a week, up 40 percent from January a year ago and 5 percent above the December rate. Auto assemblies were down somewhat more than seasonally, but paperboard and electric power held steady at levels well above January, 1958. Most other weekly series showed little gain or actually weakened during the month, even after allowing for seasonal influences. For example, adjusted department store sales were back at the November level of 137 percent of the 1947-49 average and down 7 points from December.

The improvement in business has not brought a corresponding reduction in unemployment. The number of unemployed workers increased by 600,000 to 4.7 million in January. Adjustment for seasonal influence leaves the total at 4.1 million, down only slightly from the adjusted total for December.

Auto Output and Sales Down

Passenger-car assemblies in January amounted to 545,757 units, 8 percent below December but 11 percent above the first month of 1958. The decline from December was due to a 7 percent drop in Ford and a 15 percent cut in General Motors output.

Retail sales in January are estimated at slightly under 430,000 cars, 12 percent below December but 12 percent above January, 1958. The decline from the preceding month was more than the normal seasonal drop of about 10 percent and was attributed to a shortage of Chrysler Corporation cars resulting from a strike at Pittsburgh Plate Glass Company plants, chief source of automobile glass for Chrysler. Nearly all the gain in American-made cars over the year-earlier month, when sales were near the recession low, was due to sales advances by Ford, American Motors, and Studebaker-Packard Corporation. Inventories in the hands of retailers approached 700,000 by the end of January and are expected to rise further in February.

Construction Stays High

New construction activity declined 9 percent in January to $3.7 billion. This was about the normal seasonal decline, and it left the total 10 percent above the previous record high for the month set in 1958.

Private construction outlays of $2.6 billion were down 10 percent from December, 1958, but gained 8 percent on the year-earlier month. The biggest increase over January, 1958, took place in residential building, up 23 percent. Nonresidential building dropped 12 percent, almost entirely due to a 37 percent decline in industrial construction.

Spending for public construction was off 7 percent from December, but it amounted to 15 percent more than in January a year ago. Highways, public housing, and military facilities were the categories that experienced the largest gains over the year.

Sales, Inventories Rise

Sales by manufacturing and trade firms increased $1.3 billion to $57.4 billion in December on a seasonally adjusted basis. The total exceeded the year-earlier figure by $4.0 billion. Shipments by manufacturers went up $500 million in the month to $28.0 billion and retail sales rose $600 million to an adjusted $17.6 billion, but wholesalers experienced little gain. Both durables and nondurables participated in the expansion.

The book value of inventories held by these firms was raised $200 million to $85.2 billion, with additions to automobile stocks in the hands of retail dealers more than offsetting small inventory reductions by manufacturers and wholesalers.

New orders received by manufacturers rose to $28.1 billion in December, a gain of $300 million on an adjusted basis. All of the increase took place in industries producing nondurable goods.

More Consumer Debt

Consumers raised their installment debt in December by $306 million on a seasonally adjusted basis, the largest monthly increase in two years and nearly twice that of the preceding month. About half of the advance was in automobile paper, but other consumer goods loans and personal loans also expanded. With $33.9 billion outstanding at the end of 1958, total installment debt was down $230 million from the end of 1957.

After allowance for seasonal factors, noninstallment debt rose only $37 million in December, an adjusted decline in charge accounts of $7 million being more than offset by an increase of $44 million in single-payment loans. Total noninstallment debt of $11.2 billion was up $521 million from the end of 1957.

Total consumer debt increased at an annual rate of $4.0 billion, about the same as the average of the peak years 1955-57.

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Pressure on Interest Rates

Bankers have been almost unanimous in recent weeks in predicting further, though perhaps moderate, increases in interest rates. Their views reflect in part the prevailing optimism and anticipation of continuing inflation in the economy as a whole. Although these underlying views may be mistaken, the decisions of the bankers themselves are so important with respect to interest rates that any such concerted expression of opinion warrants serious attention.

Discussions of money-market prospects cite widely varying reasons for arriving at the same basic conclusion. They range from rising costs of bank operation to esoteric interpretations of monetary and fiscal policy. Most have some regard to changes in the demand for money but often just assume that it will be expanding. Ways of thinking evidently tend to conform to a fashionable pattern, as they do in the security markets.

No Lack of Funds

In spite of the recession, 1958 turned out to be a good year for banks. Total resources and deposits rose sharply and net profits were generally higher.

The recession was in a way responsible for these results. Early in the year, the Federal Reserve was pushing a vigorous easy-money policy. It reduced reserve requirements, cut the discount rate in half over a six-month period, and expanded its own credit by moderate purchases of government securities. These actions opened the door to a very large increase in bank assets and in the money supply. Commercial bank investments and deposits moved up together, rising in each case by about $15 billion.

The really large expansion of investments was in securities. Holdings of governments increased almost $10 billion within a year. They roughly recovered the high of late 1954, erasing all the sell-off of the preceding three years. Other security holdings also increased. In contrast, loans increased only moderately. Business loans as such did not increase at all because business was seeking to liquidate loans and inventories; but other loans, which include real estate, consumer, and securities loans, showed a further expansion of several billion.

On the liability side, the expansion was concentrated in time deposits; an accelerated upsurge lifted them almost $10 billion within a year. Demand deposits rose about half as much.

By midyear, after these changes were well along toward the year-end positions, business began to recover and the Fed was forced to change its policy. There were some belated efforts to restrict reserves, but the restrictive policy was not severe, partly because of the need to support heavy government financing.

At the end of the year, the banks were in a reasonably liquid position. They were quite willing to expand loans and could readily take care of all foreseeable borrowers' needs. They could rediscount at a favorable rate or let go of governments, as they did in 1955 and 1956, and thus leave the problem of government finance to the Treasury and Federal Reserve. Borrowers' demands, however, were not expanding so enthusiastically as to call for major resort to these expedients.

Business Is Well Heeled

It may seem anomalous to project an increase in interest rates when there is a lack of borrowers rather than of loanable funds. Part of the explanation lies in the fact that business borrowers are expected even if they are not immediately present. This expectation derives from a rather complicated chain of reasoning, including the following major links: Business will have to rebuild inventories; this will increase production; higher rates of production will stimulate a rise in fixed investment; and expanded needs for both working and fixed capital will again tighten money and capital markets.

This sounds reasonable but from beginning to end is rather farfetched. Most industries have all the inventories and capacity they need. Now that auto inventories have been rebuilt, the only place where a case for inventory accumulation can be made is in steel, and there the need is temporary, deriving from fear of a strike at midyear. The steel industry has been using this threat to the full advantage of immediate sales. It is estimated that current rates of operation above 80 percent of capacity will increase steel inventories at a rate equivalent to about 10 percent of total output, or about a million tons a month. Any higher rate temporarily achieved will make for a sharper letdown after the threat passes.

As for a new capital boom, it is unlikely that the steel industry will delude itself into expanding by reason of the demand it has temporarily borrowed from the future. It would gain, of course, if other industries decided to expand and thus raised steel requirements for new plant and equipment. But other industries have no incentive to expand just because steel production is higher. Their concern is with demand for their own products, and their decisions will turn upon direct experience rather than any general indicators of over-all production.

Furthermore, there is nothing to indicate that a moderate increase in inventory accumulation or in fixed capital expansion will impose large new financial requirements. By the fourth quarter of 1958, corporate profits had recovered earlier peak levels, and with depreciation charges at a record high, gross corporate saving had also achieved a new peak. Corporations were thus able to improve their liquidity in the absence of inventory liquidation and with capital outlays holding firm at a level below the peak but still relatively high.

In other words, the cash-flow position of corporations has reversed. Early last year, corporations were suppliers of funds in support of personal income. Now they are net withdrawers of funds from the income stream. They can,

(Continued on page 8)

A 20TH-CENTURY INDUSTRY: OFFICE MACHINES

The enormous growth in American business during the past century has brought about the concomitant development of the office equipment industry. Today modern business machines handle many tasks which before the twentieth century were often done by hand.

Many of today's machines were developed in the late 1800's but did not come into general use until this century. For example, the typewriter was invented in 1864; the cash register, in 1879; the addressing machine, in 1870 (by a Lens, Illinois, inventor); the dictating machine, in 1887; and the tabulating machine, in 1887. The first known adding machine was the ancient abacus, but patents for an automatic adding machine were taken out in America in 1872.

Although many of the methods of office work have remained basically the same since the development of these instruments, the total volume of work has increased tremendously because of the enlargement, and consequently greater complexity, of business organizations. To offset this, management has turned to greater use of office machinery to process data more quickly and efficiently and to reduce the possibility of error.

A Growing Industry

The office equipment industry today consists of firms making many different products, such as typewriters, adding and calculating machines, addressing equipment, postage meters, and automatic data-processing machines.

Because of the diversity of products manufactured, the exact size of the industry is not easily determined. Value of shipments in 1957 exceeded $1.2 billion. This total, however, is believed to be conservative because of the exclusion of many office machines manufactured as secondary products. The industry has about 400 factories, with more than 170 in the Middle Atlantic and New England states. The North Central states follow with about 160 plants, of which half are located in Illinois. The total employment of the industry is estimated at nearly 100,000.

The level of office machinery production tends to be related to general business activity. When economic activity slackens, sales of machinery are often deferred and older machinery is repaired or overhauled. The general expansion of the postwar economy has led to new highs in total value of shipments for most kinds of office machines. Part of this rise stems from price increases, but much of it represents higher production levels. Between 1947 and 1957, shipments of check-handling machines increased 172 percent to $11 million; accounting and bookkeeping machines, 149 percent to $125 million; calculators, 55 percent to $58 million; and duplicators, 87 percent to $27 million. Some machines have not risen as rapidly in dollar volume in this period, for example, adding machines (18 percent) and autographic registers (26 percent).

One of the more recent developments in business has been the introduction of data-processing systems which make use of electronic computers. These machines, which sort, classify, or calculate desired information from prepared data, are now the fastest growing products of the industry. They consist of two principal types: analog and digital computers. Both have been commercially available for only a few years. Analog computers have been valuable in solving special problems, such as control of production equipment. Digital computers have been used to obtain answers to sales and inventory problems.

The Typewriter — An Office Mainstay

The typewriter is a basic office machine and is the most widely produced office machine today. The number of typewriters made (1.6 million in 1957) exceeded by more than five times that of adding machines, the second largest in terms of total units manufactured. Portable typewriters accounted for 58 percent of total typewriter unit volume; but it is believed that only a small proportion of portables are used in business.

The increasing use of electric typewriters by modern business has gradually cut into the production of standard manual machines. For example, between 1953 and 1957 production of electric typewriters doubled to 220,000 units, whereas manual nonportable types dropped 63,000 to 467,000 units. Although the latter type outsold the electrics 2 to 1 in 1957, electric typewriters accounted for more than half of the combined dollar value of the two.

Office Machinery in This State

Illinois is among the leading states in the production of office machines. The State probably ranks about third, after New York and Connecticut. Illinois is unquestionably the leader in the Midwest in the manufacture of typewriters, computing and related machines, industrial scales, mimeographs, and addressing machines. It is estimated that altogether Illinois produces approximately one-tenth of the nation's total value of office machinery.

Most of the industry in the State is located in the Chicago metropolitan area. Of the estimated 80 plants in the State, only about a dozen are downstate. More than 9,000 of the estimated total of 10,300 employees in the State work in Chicago-area factories.

Although Illinois produces only a minor share of the nation's volume of typewriters, it still ranks third, since New York and Connecticut produce more than three-fourths of the total. The State annually turns out typewriters valued at about $3 million; almost all production is confined to three plants, the largest being Allen Business Machines of Woodstock.

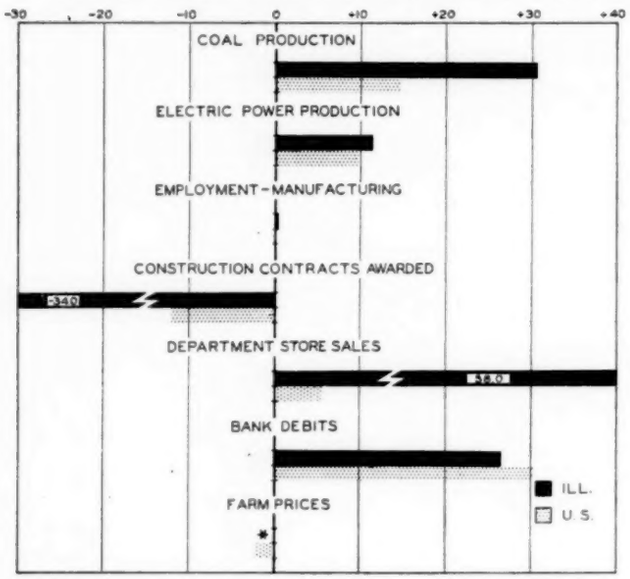
Illinois has the distinction of having the firm which invented in 1887 the first practical duplicating machine, the A. B. Dick Company, of Niles. It is the State's largest manufacturer of copying and reproducing equipment. This company, with Ditto, Incorporated, of Lincolnwood, produces about 20 percent of the national total of duplicating equipment and supplies.

The office machine industry will have a broad potential market as long as the past trend toward increased clerical loads continues. The future will probably bring greater use of electronic computers for complex problems in the larger organizations and even in the middle-sized firms as smaller, more economical machines become available.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes November, 1958, to December, 1958



* No change.

ILLINOIS BUSINESS INDEXES

Item	Dec. 1958 (1947-49 =100)	Percentage change from Nov. 1958	Percentage change from Dec. 1957
Electric power[1]	245.8	+11.3	+ 7.8
Coal production[2]	100.3	+30.6	+12.1
Employment — manufacturing[3]	94.8	+ 0.4	- 6.4
Weekly earnings—manufacturing[3]	162.5[a]	+ 1.5	+ 4.4
Dept. store sales in Chicago[4]	125.0[b]	+ 5.0	+ 3.3
Consumer prices in Chicago[5]	127.0	- 0.3	+ 1.1
Construction contracts awarded[6]	202.9	-34.0	- 4.6
Bank debits[7]	219.3	+26.5	+12.0
Farm prices[8]	83.0	0.0	0.0
Life insurance sales (ordinary)[9]	338.2	+17.0	+ 6.0
Petroleum production[10]	128.7	+ 4.5	+ 1.0

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] November data; comparisons relate to October, 1958, and November, 1957. [b] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Dec. 1958	Percentage change from Nov. 1958	Percentage change from Dec. 1957
	Annual rate in billion $		
Personal income[1]	359.3[a]	- 0.3	+ 3.1
Manufacturing[1]			
Sales	336.0[a]	+ 1.8	+ 4.9
Inventories	49.2[a, b]	- 0.2	- 8.2
New construction activity[1]			
Private residential	19.3	- 7.8	+17.6
Private nonresidential	15.4	- 7.0	- 6.6
Total public	13.6	-14.4	+10.8
Foreign trade[1]			
Merchandise exports	19.2[c]	- 0.2	- 2.6
Merchandise imports	13.1[c]	- 4.6	+ 4.4
Excess of exports	6.1[c]	+10.9	-14.8
Consumer credit outstanding[2]			
Total credit	45.1[b]	+ 3.7	+ 0.6
Installment credit	33.9[b]	+ 2.2	- 0.8
Business loans[2]	31.4[b]	+ 2.7	- 2.5
Cash farm income[3]	n.a.		
	Indexes (1947-49 =100)		
Industrial production[2]			
Combined index	142[a]	+ 0.7	+ 5.2
Durable manufactures	152[a]	0.0	+ 4.1
Nondurable manufactures	136[a]	+ 0.7	+ 7.1
Minerals	123[a]	0.0	0.0
Manufacturing employment[4]			
Production workers	96	0.0	- 4.4
Factory worker earnings[4]			
Average hours worked	101	+ 0.8	+ 2.0
Average hourly earnings	165	+ 0.9	+ 4.3
Average weekly earnings	166	+ 1.7	+ 6.4
Construction contracts awarded[5]	230	-12.0	+15.1
Department store sales[2]	144[a]	+ 5.1	+ 4.3
Consumer price index[4]	124	- 0.2	+ 1.7
Wholesale prices[4]			
All commodities	119	0.0	+ 0.6
Farm products	91	- 1.5	- 2.1
Foods	109	- 0.6	+ 1.3
Other	127	+ 0.3	+ 0.9
Farm prices[3]			
Received by farmers	91	- 2.2	+ 1.1
Paid by farmers	123	0.0	+ 2.5
Parity ratio	80[d]	- 1.2	- 1.2

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] Data are for November, 1958; comparisons relate to October, 1958, and November, 1957. [d] Based on official indexes, 1910-14 = 100. n.a. Not available.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item		1959 Jan. 31	1959 Jan. 24	1959 Jan. 17	1959 Jan. 10	1959 Jan. 3	1958 Feb. 1
Production:							
Bituminous coal (daily avg.)	thous. of short tons	1,425	1,334	1,382	1,366	1,403	1,353
Electric power by utilities	mil. of kw-hr	13,151	13,394	13,324	13,554	12,364	12,238
Motor vehicles (Wards)	number in thous.	145	152	159	156	112	123
Petroleum (daily avg.)	thous. bbl.	7,107	7,194	7,087	7,052	7,122	6,842
Steel	1947-49=100	126	119	123	121	119	85
Freight carloadings	thous. of cars	583	554	586	550	468	550
Department store sales	1947-49=100	106	105	116	121	104	92
Commodity prices, wholesale:							
All commodities	1947-49=100	119.5	119.6	119.4	119.3	119.3	118.9[a]
Other than farm products and foods	1947-49=100	127.4	127.4	127.3	127.3	127.2	126.1[a]
22 commodities	1947-49=100	84.7	85.3	85.2	85.6	85.6	84.4
Finance:							
Business loans	mil. of dol.	30,275	30,414	30,666	30,825	31,418	30,638
Failures, industrial and commercial	number	322	296	294	321	169	326

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for January, 1958.

RECENT ECONOMIC CHANGES

Housing Starts

The seasonally adjusted rate of private nonfarm housing starts continued upward in December, despite a drop of 10,500 in the actual number of private starts during the month. The decline brought the number of private units started in December to 89,500, only 400 units below the 1954 record for the month. This represented a seasonally adjusted annual rate of 1,430,000 units, an increase of 100,000 over November.

For the year, new starts on private homes totaled 1,130,600 units — a gain of 14 percent over the 1957 level of 992,800. The year-to-year advance was due mainly to a sharp upturn in homes begun under Federal Housing Administration assistance, which accounted for 26 percent of privately financed starts last year, compared with only 17 percent in 1957.

Publicly owned housing put under construction in 1958 came to 67,100 units. Thus the total number of nonfarm housing starts, both public and private, rose to 1,197,700 units in 1958, the highest since 1955.

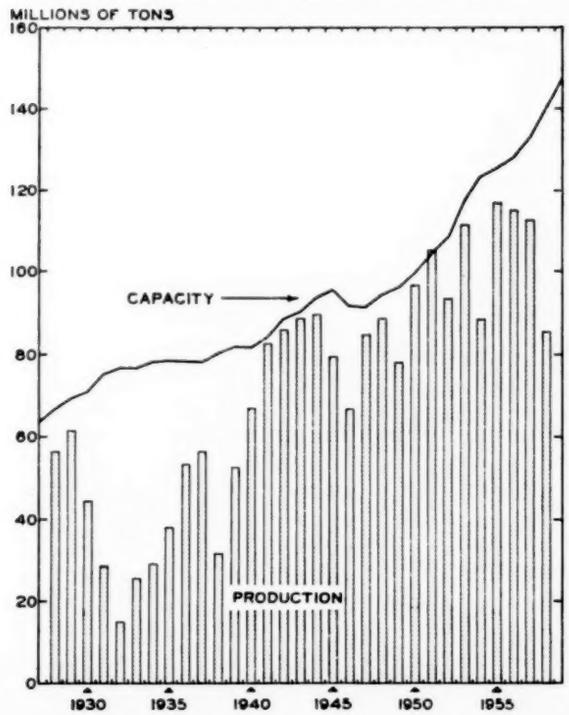
Steel Production

The American Iron and Steel Institute reported that steelmaking furnaces operated at an average of 60.6 percent of capacity during 1958, compared with 84.5 percent in the previous year.

Industry output for the year amounted to 85.3 million net tons, the lowest level since 1949 when only 78.0 million tons were produced. The industry's capacity rose from 140.7 million tons per annum at the beginning of 1958 to a record high of 147.6 million tons for the new year. As a result the gap between capacity and actual production continued to expand (see chart).

Output showed some improvement at the year end. Production in each of the last three months was at a rate in excess of 70 percent, and fourth quarter production of 26.1 million tons was the best for any three-month period since the third quarter of 1957, when the industry turned out 27.1 million tons.

STEEL CAPACITY AND PRODUCTION



Source: American Iron and Steel Institute.

Gross National Product

The nation's total output registered a 3 percent gain in the final quarter of 1958. Gross national product reached an annual rate of about $453 billion. Further increases in consumer spending and government purchases and an end to inventory liquidation were the main factors in the GNP advance during the fourth quarter.

The increase in the last quarter helped lift the value of GNP for the year to about $437 billion, off 1 percent from the 1957 record. After allowing for higher average prices, the volume of output for the year was down about 3 percent.

Freight Carloadings

Revenue freight carloadings during January fell behind year-earlier levels. In the first month of 1959 loadings averaged 539,000 per week, compared with 541,000 per week in January, 1958.

For the year 1958, freight carloadings amounted to about 30.2 million cars, 5.3 million, or 15 percent, below 1957. Shipments in all product classes except grains shared in the decline. The largest cutbacks occurred in the shipments of coke and ore which declined 40.6 and 39.0 percent, respectively. The decreases in all other commodity classes ranged from 7.3 percent for forest products to 18.2 percent for coal. Probably most significant, however, was the reduction of 13.2 percent in the twelve months' total for the miscellaneous class, which includes, among other things, all manufactured goods.

Business Failures

Despite the general recovery in economic activity during the second half of the year, business failures rose to a postwar high in 1958. Total failures amounted to 14,964, up almost 9 percent over the previous year's level of 13,739. All groups of businesses showed more failures last year than in 1957. However, manufacturing and wholesaling were up more than others. The Dun and Bradstreet failure index, which lists apparent annual failures per 10,000 listed firms, rose to 55.9 in 1958, compared with 51.7 in 1957.

Data on liabilities indicate that in 1958 the average bankrupt firm went out of business owing its creditors approximately $49,000, whereas in 1957 liabilities averaged about $45,000 per firm.

Unemployment

The current business recovery has failed to bring the improvement in employment that followed the two earlier postwar recessions. In addition, the number of jobless reached a higher level and has been more persistent. In the last three months unemployment resumed its upward movement and reached 4.7 million in mid-January.

Census data, in thousands of workers, are as follows:

	Jan. 1959	*Dec. 1958*	*Jan. 1958*
Civilian labor force	67,430	68,081	66,732
Employment	62,706	63,973	62,238
Agricultural	4,693	4,871	4,998
Nonagricultural	58,013	59,102	57,240
Unemployment	4,724	4,108	4,494
Seasonally adjusted rate	6.0	6.1	5.8

THE BALANCED BUDGET FOR 1960

OTTO ECKSTEIN

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President Eisenhower, much to the surprise of most observers, submitted a balanced budget to the Congress. How was this "miracle" accomplished? Is it a realistic budget? What will a Democratic Congress do to it? To these questions we shall try to provide some answers beginning with what happened in fiscal 1959.

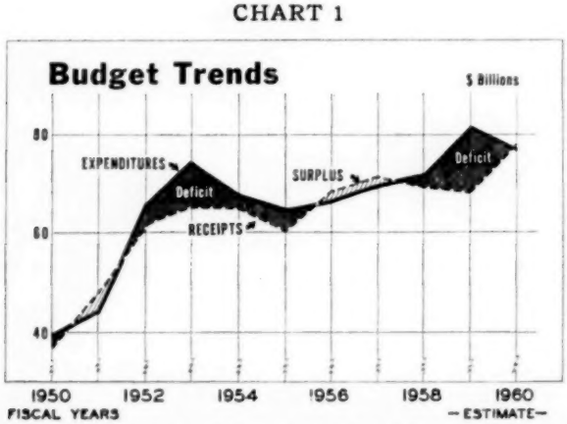
The current budget is expected to wind up with a deficit of $12.9 billion for the fiscal year ending June 30, 1959. The preceding year saw a deficit of only $2.8 billion, despite the fact that it included the worst part of the recession (see Chart 1). This is due largely to the time lag on tax receipts, particularly of corporation income taxes, and the slowness with which recession measures to stimulate expenditures take place; expenditures for fiscal 1958 were largely determined by the economy wave of the preceding summer.

The budget submitted for fiscal 1959 also showed a net balance. The enormous deficit which is now expected for the current year can be explained as follows: First, revenues fell short of the estimated total by $6.4 billion because of the recession. Second, expenditures exceeded the estimates by $7.0 billion. Disregarding minor items, this rise may be attributed to several important items. Recession-induced expenditures for housing, unemployment benefits, and speeded-up public works cost an additional $2.5 billion; the enormous agricultural crops led to astronomical price-support costs which were $2.2 billion higher than expected, with the total agricultural program exceeding $7 billion; and a one-time expenditure of $1.4 billion is being requested to strengthen the capital position of the International Monetary Fund. Thus, of the $7.0 billion increase in expenditures, no more than $2.5 billion can be attributed to the recession.

How Balancing the Budget Is Accomplished

The swing of $13 billion from deficit to balance, which the President's new program requires, is based on several assumptions. First, tax receipts are expected to be higher. Revenue yields from existing taxes are estimated to rise to the levels that a high-level economy would yield, a rise of $8.4 billion; this assumes continued steady recovery to GNP levels of $480 billion by December, 1959. In addition, despite current allusions to the possibility of tax cuts, $700 million is expected to be collected from increases in tax rates, including higher gasoline and aviation fuel taxes, higher taxes on life insurance companies, and the closing of some loopholes.

CHART 1



Source: Executive Office of the President, Bureau of the Budget.

Second, proposed new policies and rearrangement of accounts will effect budget improvements. An extra $600 million is expected to be collected from higher charges for government services, particularly higher postal rates and higher interest charges on government loans. Another $600 million is to be squeezed out of a new policy of selling assets. Moreover, $400 million of housing mortgages now held by FNMA may be swapped for privately held government bonds selling at discounts and $200 million may be "realized" from an extraordinary liquidation of loans of the Export-Import Bank, since the federal budget, unlike the income statement of a private business, is affected favorably by converting assets into cash. In addition, aviation gas revenues that had been earmarked for the highway trust fund are to be turned back to the regular budget, while expenditures for forest roads are to be shifted into the trust fund; this saves nearly $100 million.

Third, some expenditure decreases are expected. Such temporary recession expenditures as the extension of unemployment benefits and special purchases of low-cost housing mortgages will terminate if new legislation is not enacted, saving $800 million. Finally, other expenditures will drop by $1.8 billion, the major decline being the nonrecurrent contribution to the IMF, with some supplementary cuts in the military assistance program and in the acreage reserve program of the soil bank. There are some partly offsetting increases in interest costs, public works, and the new education programs.

The President's Expenditure Program

With the exceptions noted, the President's program is simply a "freeze" of the previous expenditure levels. Even at the smallest level of specific programs within agencies, most of the items have almost identical cost estimates for 1959 as for 1960. Although some programs, particularly the military, are undergoing a technological revolution which is not reflected in the figures, every budget tends to be very similar to its predecessor because of the continuity of programs. But in this instance it is clear that an across-the-board freeze was employed. For example, the various medical research programs of the Public Health Service for cancer, heart disease, arthritis, and mental health, which have been rising rapidly, all level off in 1960. This means that little evaluation of the relative priorities was carried out. Programs that were large lost little; many new and growing programs were stunted. Table 1 indicates the stability of most programs.

National Defense. The budget for the Defense Department stayed level at $40.9 billion. This leveling was accomplished by halting development and production of several weapons systems that would have been superseded within a year or two, such as the Seamaster plane and the Regulus II guided missile to be fired from ships. IRBM production also will not go on a large-scale basis, since greater emphasis is being placed on ICBM in view of the success of the Atlas program and the reluctance of our allies to have IRBM bases. Military construction has been cut $300 million. The total manpower of the three

TABLE 1. BUDGET EXPENDITURES BY FUNCTION, 1957-60
(Fiscal years; billions of dollars)

Function	1957	1958	1959	1960
Major national security	43.3	44.1	46.1	45.8
International affairs and finance	2.0	2.2	3.7	2.1
Commerce and housing	1.5	2.1	3.5	2.2
Agriculture and agricultural resources	4.5	4.4	6.8	6.0
Natural resources	1.3	1.5	1.7	1.7
Labor and welfare	3.0	3.4	4.4	4.1
Veterans services and benefits	4.8	5.0	5.2	5.1
Interest	7.3	7.7	7.6	8.1
General government	1.8	1.4	1.7	1.7
Allowance for contingencies	...	...	.2	.1
Total	69.4	71.9	80.9	77.0

Source: *The Federal Budget in Brief, Fiscal Year 1960.*

services will not be cut any further in 1960. The nation's capability to fight brush-fire wars is kept at its present relatively low strength. Caution and an emphasis on economical rather than "crash" development of new weapons characterize this defense budget.

The *foreign aid* budget will fall as military assistance declines. But there will be increased loan programs under the development loan fund if the Congress approves.

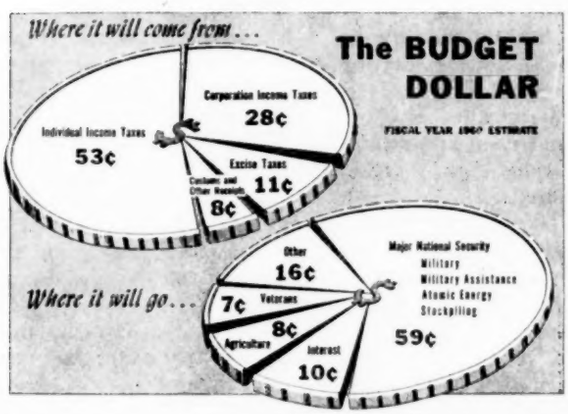
Commerce and housing expenditures are estimated to decline, as mortgage purchase programs are to be curtailed, college housing loans virtually terminated, airport grants reduced, urban renewal kept to a modest scale, and the postal deficit eliminated. Expenditures for the new air traffic program will rise from $680 million to $900 million, however.

The cost of *agriculture* remains very high with the budget estimate of $6 billion probably underestimating the cost of price supports.

Veterans programs decline very slightly to $5.1 billion but this assumes that the President can keep the Congress from enacting expensive pension legislation.

This, then, is the President's budget. (See Chart 2.) Compared with the recommendations of the Rockefeller and Gaither reports, the outlays for defense and foreign aid, the fields which are crucial for our leadership of the free world, are very low. Some effort is made to keep the programs favoring special interests, particularly veterans and agriculture, at least in check, though there is no reallocation of funds from these fields toward foreign policy objectives.

CHART 2



Source: Executive Office of the President, Bureau of the Budget.

What Will the Congress Do?

The impending fight between the "spenders" and the Administration, a fight which may never take place given the power of conservative committee chairmen in the Congress, is really more about future budgets than about 1960. Proposals for urban renewal grants, airport construction, community facilities, atomic power reactors, school construction, and natural resource projects in the West would have their major impact only in later years. Similarly, the higher user charges requested by the President would not make their major revenue contributions in 1960. Thus the actual budget for 1960, while it may not be balanced if Congress adds programs, may not differ by more than $2 billion to $3 billion from the figures requested. To be sure, if the situation becomes really acrimonious, the Congress can choose to stall on voting the $1.4 billion for the International Monetary Fund so that it has to appear as an expenditure in 1960, and it can block the intended sales of assets. These actions, which have no impact on the economy, could alone create a deficit of $2 billion. But neither side gains much by creating a large bookkeeping deficit.

The areas in which more may be spent because of congressional action are the following: (1) defense and space — an extra $700 million could easily be spent under congressional pressure; (2) agriculture — even if the soil bank program is not renewed, price support costs could easily exceed the estimate by $300 million; (3) veterans — the pressure for pensions is very strong and could easily cost close to $1 billion, but in the next Congress a presidential veto would probably be sustained; (4) housing — various construction programs could add $100 million to $200 million in the next year but the long-run cost could rise by closer to a billion; (5) unemployment — renewal of the temporary recession program to extend unemployment insurance benefits, which is likely, would add $200 million; (6) revenues — failure to enact the gas tax and postal rate increases would cost $700 million; ordinary revenues may also fall short of current estimates by $500 million; (7) on the other hand, foreign aid expenditures may be cut further by the Congress. Adding up these figures and making some allowance for other programs, we arrive at a possible deficit of $3 billion. This is a small figure, and if inflation should return, revenues will rise more than anticipated. Thus, the deficit will be cut substantially even if the budget is not fully balanced.

A Widening Gap

So far our discussion applies to the regular Administrative Budget, the budget by which the state of budget balance is traditionally judged. In recent years, more and more of government expenditures fail to appear in this budget. The cash budget, known officially as Federal Government Receipts from and Payments to the Public, is a much more inclusive document, reflecting the operations of the many trust funds which are left out of the Administrative Budget. Table 2 shows that the gap between these two budgets is widening rapidly.

If it were just a matter of bookkeeping, this state of affairs would be of interest only to accountants and budgeting technicians. But important principles are at stake. First, the expenditures financed out of trust funds are not subjected to the same scrutiny as regular expenditures and need not compete with other programs for the very scarce budget dollar. Thus, in this year of expenditure freeze, highway expenditures, which have been taken out of the regular budget, are scheduled to

TABLE 2. ADMINISTRATIVE BUDGET COMPARED WITH RECEIPTS FROM AND PAYMENTS TO THE PUBLIC
(Fiscal years; billions of dollars)

	1958	1959	1960
Administrative budget:			
Receipts	69.1	68.0	77.1
Expenditures	71.9	80.9	77.0
Surplus or deficit	− 2.8	−12.9	+ .1
Cash budget:			
Receipts	81.9	81.6	93.5
Payments	83.4	94.9	92.9
Surplus or deficit	− 1.5	−13.2	+ .6

Source: *The Federal Budget in Brief, Fiscal Year 1960.*

rise from $2.6 billion to $3.1 billion. Defense and medical research are frozen, but the highway program rolls merrily on.

Second, the trust fund device is a method of splitting up the budget into a lot of little budgets, each one having its own source of revenue. State and local governments have long been plagued by the proliferation of earmarked revenues. The federal government has traditionally pooled revenues, always with some exceptions, and thus left itself free to spend the money where the highest priorities lay. The highway trust fund was a drastic departure from this policy, and in 1960 the administration of the unemployment insurance system is also to be taken out of the budget and organized into a trust fund. Continuation of this trend will not only reduce the scope of evaluation of competing demands for funds, but will make the balance or imbalance of the items remaining in the regular budget a poor indicator of the way in which the government is meeting its fiscal responsibilities.

The Budget and the Economy

Perhaps the biggest stimulus to the recovery from the present recession has been the increase of purchases of goods and services by governments at all levels. Between the fourth quarter of 1957 and the fourth quarter of 1958, federal purchases rose by $4 billion, state and local by $2 billion. If the President's budget is enacted, there will be no further increase of federal purchases of goods and services after the middle of 1959 and they may even fall. It is questionable whether the recovery will proceed at a satisfactory pace when this prop is removed. The business situation can be observed for several months before final expenditure commitments need to be made and perhaps by that time it will be clear whether unemployment in the winter of 1959-60 can be cut to prosperity levels, given these expenditure plans. Should the business outlook continue cloudy at midyear, ending the increase in federal purchases could seriously endanger the recovery.

The rationale of the balanced budget is the fight on inflation. So far as price increases are due to the monopoly power of unions and management, the restraint on federal purchases will be an ineffective anti-inflationary weapon. At this time, the volume of unemployment is strong evidence that there is no immediate hazard of demand inflation. It remains to be seen whether the summer of 1959 is the proper date on which to hold back demand.

In summary, the balance in the budget for 1960 was attained by freezing expenditures, by proposing various increases in revenues, by transferring some responsibilities to state and local governments and private groups, and to a minor extent, by the sale of assets. The Congress and the weather are likely to unbalance the budget by a few billion dollars. The rate of increase of federal purchases of goods and services, one of the main props of the business recovery, will slow down or halt altogether. Despite sputniks and Russian economic penetration, we continue to be generous with agriculture, veterans, highways, and some other domestic outlays, and niggardly with foreign aid and national defense.

Pressure on Interest Rates

(Continued from page 2)

if they wish, add to their real capital without substantial new borrowing.

A Policy of Pushing Rates Up

There is, however, one other important factor in the situation, namely, government. Government units at all levels have been running deficits. The fiscal 1959 "balanced budget" for the federal government has produced an actual deficit of $13 billion. In addition, new capital issues of state and local governments totaled over $8 billion in 1958. Since private demands for funds were reduced in the recession, these deficits have been a decisive source of pressure on money and capital markets.

Currently, this pressure is easing. Reasons why the federal deficit is expected to be much smaller in fiscal 1960 are given in this month's special article. For the current fiscal year, the season when the deficit mounts is past. Although no substantial surplus is expected between January and June, at least there is no immediate need to tap new money sources for the time being.

A certain importance attaches, however, to the way the debt is handled as well as to the amounts involved. The Treasury has a peculiar bias in favor of "lengthening maturities." This is aggravated by an apparent desire to make new issues "sweet enough" so that they will be oversubscribed. Policy thus tends to push up the whole structure of interest rates. The "tightness" of money is made apparent to everyone. Builders clamor for a higher ceiling on guaranteed mortgages. Banks can see no need to hold their prime rate to the level of governments.

The justification for this is usually held to be "the working of the free market," and the Treasury is often complimented on its "willingness to pay going rates." Actually, this is little more than a diverting fiction. The government's power to control the money supply puts it in a special market position, and even if those powers are not to be arbitrarily used, the huge volume of its outstanding debt removes it from the category of ordinary borrowers. The market is basically in no position to force rates upon it, and acceptance of high rates is therefore a matter of policy.

Anti-inflationary as well as other points of view should undoubtedly be represented in determining that policy. But points of view have to be qualified by economic conditions. Currently, recovery in production and employment is incomplete and unemployment remains undesirably high. Further improvement cannot be taken for granted.

If policy is consciously intended to be deflationary, it should work first of all to eliminate the budget deficit. If it succeeds there, problems of rising rates and falling maturities will tend to disappear, perhaps more quickly than anyone desires. If conditions do not justify eliminating the deficit, they do not justify a policy of pushing rates up. For if the latter have any effect at all, it is to depress investment in an economy lacking the strength to grow; and a policy designed to turn a shaky economy down could hardly be anything but a tragic mistake. VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Foreign Investment

According to data released by the Department of Commerce, United States firms made direct investments abroad in property, plant, and equipment amounting to $3.6 billion in 1957. About $3.2 billion of the reported foreign capital expenditures in the year were in mining, manufacturing, and petroleum industries. In the petroleum industry alone, foreign plant and equipment outlays amounted to slightly more than $2 billion. Expenditures in manufacturing amounted to less than $900 million; nearly half of this total was invested in Canada and about 40 percent in Europe, mainly in the United Kingdom. Of the $300 million expenditure in the mining and smelting industry, 86 percent was in Western Hemisphere countries.

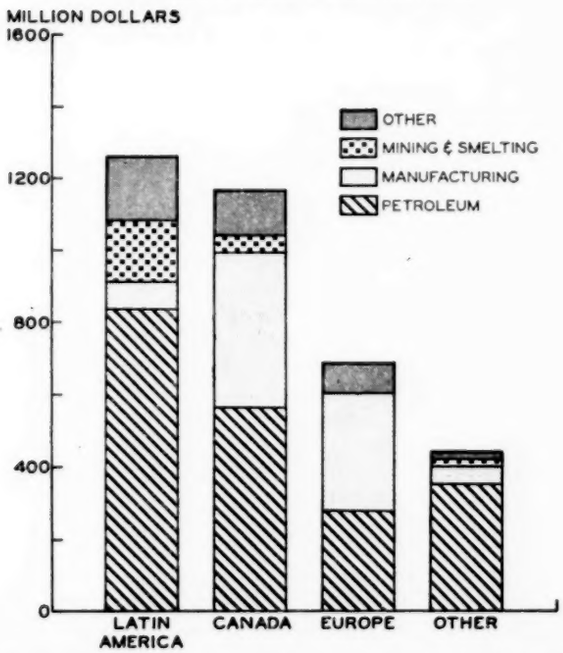
The Latin American countries and Canada received a total of $2.5 billion, or 68 percent, of United States total direct investment in foreign plant and equipment in 1957. The Latin American outlay amounted to $1.3 billion, of which 66 percent was in the petroleum industry and 14 percent in the mining and smelting industries (see chart). Of the $1.2 billion expenditure in Canada, 48 percent went into petroleum enterprises, while manufacturing industries obtained 37 percent. Investments in manufacturing industries accounted for slightly less than half of the $700 million outlay in Europe.

Oxygen Techniques in Steelmaking

According to *Business Week*, oxygen techniques of steelmaking are increasing in popularity among the nation's steel producers. They have achieved this new popularity primarily as a result of the speed they impart to what has been a fairly slow process. Blowing oxygen into molten steel is the simplest way to boost the tons of steel produced per hour, whether in a converter, an open-hearth, or an electric furnace. The process is accelerated because the undesirable metalloids are used as fuels and thus "burned off." This use of oxygen produces higher temperatures and faster reactions, enabling one oxygen shop to melt 81 tons per hour, whereas the nation's open-hearth shops melt an average of 25 tons to 35 tons per hour.

In 1958 the use of oxygen techniques increased from five oxygen converters to twelve during the year. The seven new converters accounted for about 43 percent of the 7 million additional tons of capacity. This type of converter enabled one company to increase its capacity by 91 percent and jump from thirteenth to ninth place among the nation's steelmakers. The converters also made it possible for another company to raise its capacity 74 percent to become the eighteenth largest commercial producer. In addition, the use of oxygen, primarily through roof lances, had much to do with the 4.2 million ton increase in open-hearth capacity during 1958. This was accomplished with six fewer furnaces.

PRIVATE PLANT AND EQUIPMENT EXPENDITURES ABROAD, 1957



Source: *Survey of Current Business*, January, 1959, p. 22.

Anti-Rust Oil

Comet Rice Mills, Dallas, Texas, has developed a new corrosion preventive by combining rice oil with a secret drying agent. The claim that this new product outperforms standard anti-rust oils is based on tests by the Texas Research Foundation in which they found no corrosion on metal protected by the rice oil in the standard aluminum strip test, and 10 percent corrosion in the standard iron strip test in which other oils permitted 20 percent or more.

The oil is obtained from rice bran, the discarded coat of the seed grain, with a solvent extraction process, and then in further steps the solvent is removed. In its Houston plant, one of the world's largest rice mills, the oil-producing capacity is between 4,500 gallons and 7,500 gallons a day. Steel companies, shipbuilders, and gas pipelines have experimentally used the rice oil, which as yet is without a trade name. The oil is available in quantities up to tank car lots from Comet Mills, and the price is quoted at $2.50 a gallon.

Projections of Educational Attainment

The Bureau of the Census has recently made projections of educational attainment for the United States on the basis of estimated future population growth and future changes in the proportion of the population attending high school and college. According to the bureau's projections, the number of high school graduates in the population is expected to be about 52 million in 1960, 70 million in 1970, and 95 million in 1980. This means that the percentage of the population 15 years old and over who are high school graduates will increase from 42 percent in 1960 to approximately 55 percent in 1980.

The projection of the number of college graduates shows a rate of growth almost as great for the next two decades as for high school graduates. In 1980 the number of persons who will have completed four or more years of college will total about 15 million, about 7 million more than at the present time, and will be the equivalent of 10 percent of the population 20 years old and over as compared with 7 percent in 1960.

LOCAL ILLINOIS DEVELOPMENTS

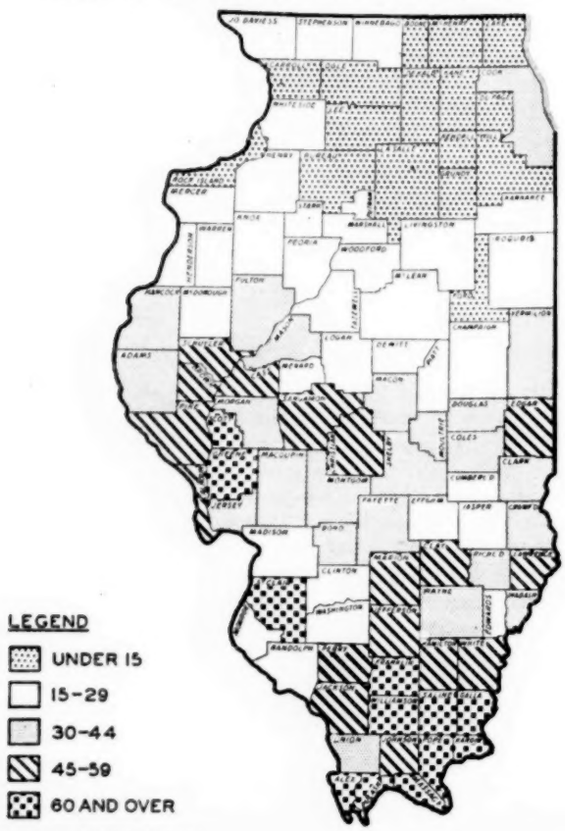
Illinois business activity in December rose sharply from the preceding month. With the exception of construction contracts awarded, consumer prices in Chicago, and farm prices, all indicators advanced (see page 4). Coal production increased 31 percent, bank debits in selected Illinois cities 26 percent, life insurance sales 17 percent, and electric power 11 percent.

Comparisons with December a year ago showed that all indicators gained with the exception of manufacturing employment and construction contracts awarded, which experienced declines of 6 percent and 5 percent respectively. Both coal production and bank debits rose 12 percent, life insurance sales 6 percent, and average weekly earnings 4 percent.

Dependency in Illinois

The Illinois Public Aid Commission reported recently that the State's public assistance loads resumed their upward climb in September, 1958, after a significant decline in August. There has been a continuous decline in general assistance during the past six months, amounting to about 24,000 persons. Old age assistance declined as it has since 1950, but at a slower rate. These decreases in general assistance and old age assistance were not sufficient to offset the increase in aid to dependent children. Cook County has experienced a rapid rise in aid to dependent children, having had an increase of about 19,000 in the last twelve months, compared with 24,000 for the entire State.

NUMBER OF RECIPIENTS OF STATE AID PER 1,000 POPULATION, SEPTEMBER, 1958



Source: *Public Aid In Illinois*, December, 1958.

On the average, 35 persons per 1,000 population in Illinois received public aid in September. Cook County had an average of 39 persons, whereas all other counties averaged 30 persons (see chart). The counties in the upper third of the State, excluding Cook County, generally had lower rates; DuPage County had the least of all with four persons. The counties in the southern third of the State generally showed the largest proportion of recipients receiving state aid. Seven southern counties had more than 100 persons on aid rolls per 1,000 population, Pulaski with 176 persons and Gallatin County with 169 persons having the highest rates.

Failures and Incorporations

According to Dun and Bradstreet reports, Illinois business failures totaled 622 in 1958. This represents an increase of 14 percent over the total number of failures in 1957 and 40 percent over 1954. For the last five years, the number of business failures has ranged from a low of 428 in 1955 to the high in 1958, with the major portion of the increase occurring in 1957 and 1958.

The total dollar liability of the failures in 1958 amounted to more than $35 million, as compared with $30 million in 1957 and $38 million in 1954. Although the total dollar liability decreased 9 percent as compared with 1954, there was an even greater decline, amounting to 39 percent, in the average dollar liability per failure. However, there was a 3 percent increase in the average liability from 1957.

Newly incorporated businesses totaled slightly more than 7,200 in 1958. This was the second highest number on record and represented an increase of 11 percent from 1957 and 32 percent from 1954. With the exception of 1957, new business incorporations have continued to increase in the State for the last five years, rising from a low of 5,502 in 1954 to the 7,200 last year.

A Record Year

Data released by the Illinois Crop Reporting Service indicate that the 1958 composite yield per acre is the largest ever produced on Illinois farms. The state-wide corn yield set a new record, and the yields from the other four major crops — soybeans, wheat, hay, and oats — were near record levels. A total of 599 million bushels of corn was produced in 1958, an average of 69 bushels per acre. Although soybean growers produced one-half bushel less than the highest per-acre yield, the total production of 140 million bushels established a new record. The winter wheat crop, amounting to 54 million bushels, was nearly half again as large as the 1957 crop, and has been exceeded only twice in a generation. Oats yielded 55 bushels per acre, only one bushel less than the 1955 record high and 13 bushels more than the average. A total of 4.9 million tons of hay was produced during the past season, 1 percent more than last year and 10 percent more than the average.

Illinois ranks third in the United States in the value of all crops, including fruits and vegetables, with a total of $1.2 billion. The five major crops contributed 98 percent of this total crop value, with corn and soybeans accounting for the major share. The value of the corn yield increased 4 percent to a total of $629 million, while the largest advances of the other major crops came in wheat and oats, with increases of 29 percent and 28 percent respectively.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

December, 1958

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		**$22,495**[a]	**1,189,991**[a]	**$552,514**[a]		**$19,169**[a]	**$19,057**[a]
Percentage change from	Nov., 1958	−32.5	+8.2	+2.0	+58	+26.5	+16.8
	Dec., 1957	−55.5	+5.0	−13.4	+7	+12.0	+6.0
NORTHERN ILLINOIS							
Chicago		**$15,417**	**892,887**	**$405,378**		**$17,632**	**$16,382**
Percentage change from	Nov., 1958	−38.2	+6.6	+2.4	+58	+27.7	+15.2
	Dec., 1957	−62.5	+4.7	−15.6	+8	+12.2	+4.4
Aurora		**$ 887**	n.a.	**$ 8,639**		**$ 72**	**$ 174**
Percentage change from	Nov., 1958	−23.5		+3.6	+43	+1.8	+19.6
	Dec., 1957	+50.6		−1.9	+39	+6.1	+18.5
Elgin		**$ 378**	n.a.	**$ 6,326**		**$ 51**	**$ 137**
Percentage change from	Nov., 1958	+53.0		+9.5	n.a.	+11.0	+2.7
	Dec., 1957	+76.6		−12.4		+16.1	−3.8
Joliet		**$ 518**	n.a.	**$10,749**		**$ 93**	**$ 162**
Percentage change from	Nov., 1958	−3.5		+8.5	+67	+11.8	+47.6
	Dec., 1957	+35.2		−3.2	+10	+12.9	+27.6
Kankakee		**$ 162**	n.a.	**$ 5,181**		n.a.	**$ 75**
Percentage change from	Nov., 1958	−49.7		+2.8	n.a.		+41.3
	Dec., 1957	+43.4		−6.3			+18.1
Rock Island-Moline		**$ 448**	**25,423**	**$10,566**		**$ 118**[b]	**$ 202**
Percentage change from	Nov., 1958	−38.8	+3.8	−6.8	n.a.	+7.8	+22.9
	Dec., 1957	−15.6	−3.8	−5.2		+13.1	+17.4
Rockford		**$ 663**	**48,725**[c]	**$17,396**		**$ 197**	**$ 292**
Percentage change from	Nov., 1958	−43.6	+6.6	+2.6	+72	+14.4	+31.8
	Dec., 1957	−63.6	+7.4	−13.3	+5	+7.5	+8.9
CENTRAL ILLINOIS							
Bloomington		**$ 219**	**9,440**	**$ 5,507**		**$ 86**	**$ 114**
Percentage change from	Nov., 1958	+68.5	+15.8	+1.1	n.a.	+32.5	+10.1
	Dec., 1957	−91.2	+10.4	−0.6		+34.4	+29.8
Champaign-Urbana		**$ 373**	**14,247**	**$ 8,121**		**$ 77**	**$ 146**
Percentage change from	Nov., 1958	+42.9	+8.9	−2.7	n.a.	+0.5	+21.6
	Dec., 1957	+205.7	+14.4	−3.1		+12.0	+11.8
Danville		**$ 199**	**13,306**	**$ 5,876**		**$ 53**	**$ 94**
Percentage change from	Nov., 1958	−13.5	+0.5	+0.7	+62	+8.8	+50.7
	Dec., 1957	+74.6	+7.5	−3.1	+9	+15.0	+16.9
Decatur		**$ 369**	**33,556**	**$11,298**		**$ 125**	**$ 162**
Percentage change from	Nov., 1958	−15.2	+8.7	−0.2	+61[c]	+23.1	+35.2
	Dec., 1957	+2.5	−5.8	−16.2	+25[c]	+6.4	+20.7
Galesburg		**$ 154**	**9,487**	**$ 4,801**		n.a.	**$ 58**
Percentage change from	Nov., 1958	−84.9	+9.8	+4.8	n.a.		0.0
	Dec., 1957	−82.0	+5.3	−0.2			+14.0
Peoria		**$ 756**	**54,939**[c]	**$16,549**		**$ 249**	**$ 380**
Percentage change from	Nov., 1958	+7.2	+45.5	+0.1	+66[c]	+17.0	+30.8
	Dec., 1957	−3.9	+11.9	−9.2	+8[c]	+4.3	+18.4
Quincy		**$1,095**	**11,034**[c]	**$ 4,994**		**$ 54**	**$ 98**
Percentage change from	Nov., 1958	+470.3	+14.5	−0.5	+59	+17.7	+36.7
	Dec., 1957	+559.6	+7.7	−8.8	+6	+15.6	+22.1
Springfield		**$ 449**	**39,573**[c]	**$13,749**		**$ 145**	**$ 362**
Percentage change from	Nov., 1958	−22.6	+7.0	+3.2	+63[c]	+4.4	+26.1
	Dec., 1957	+24.7	+10.2	+0.2	+9[c]	+13.3	+25.8
SOUTHERN ILLINOIS							
East St. Louis		**$ 141**	**13,297**	**$ 8,363**		**$ 166**	**$ 93**
Percentage change from	Nov., 1958	+513.0	+8.8	−2.7	n.a.	+18.3	+27.1
	Dec., 1957	+28.2	+7.0	−3.5		+0.1	+11.5
Alton		**$ 30**	**13,597**	**$ 4,605**		**$ 50**	**$ 51**
Percentage change from	Nov., 1958	−94.1	+9.1	−2.5	n.a.	+30.1	+33.6
	Dec., 1957	−92.4	+8.9	−5.6		+19.7	+2.5
Belleville		**$ 237**	**10,481**	**$ 4,416**		n.a.	**$ 74**
Percentage change from	Nov., 1958	+157.6	+11.1	−2.5	n.a.		+65.9
	Dec., 1957	+393.8	+1.4	−3.2			+35.6

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for November, 1958. Comparisons relate to October, 1958, and November, 1957. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending December 12, 1958, and December 13, 1957.

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INDEXES OF BUSINESS ACTIVITY

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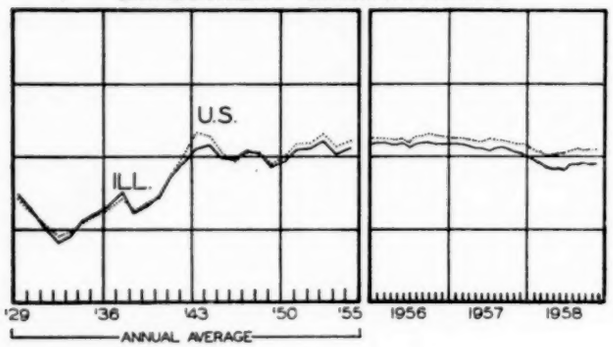
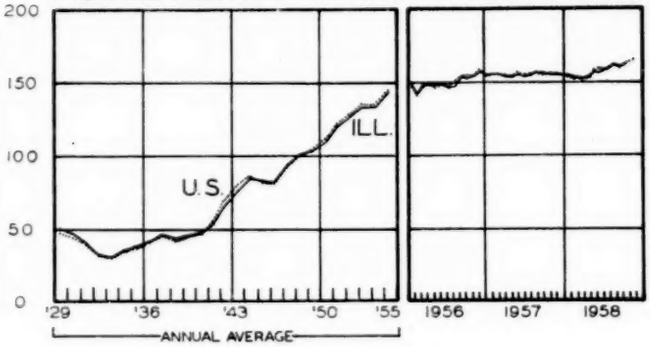
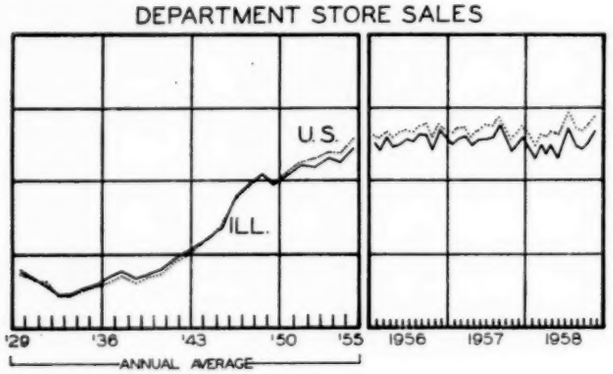
EMPLOYMENT MANUFACTURING



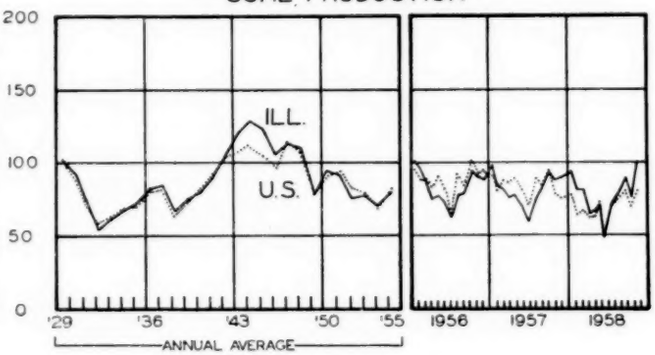
AVERAGE WEEKLY EARNINGS - MANUFACTURING



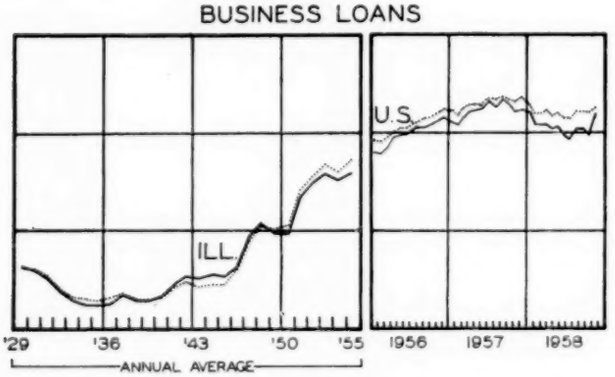
DEPARTMENT STORE SALES



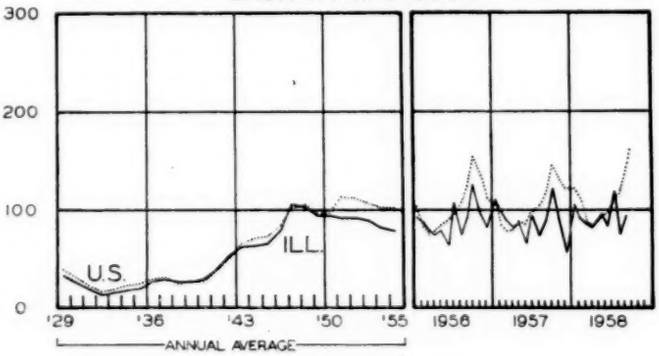
COAL PRODUCTION



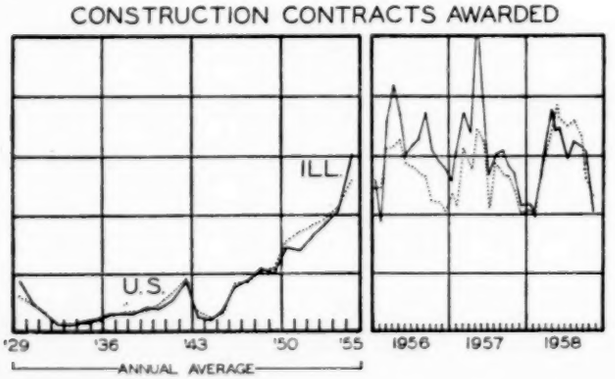
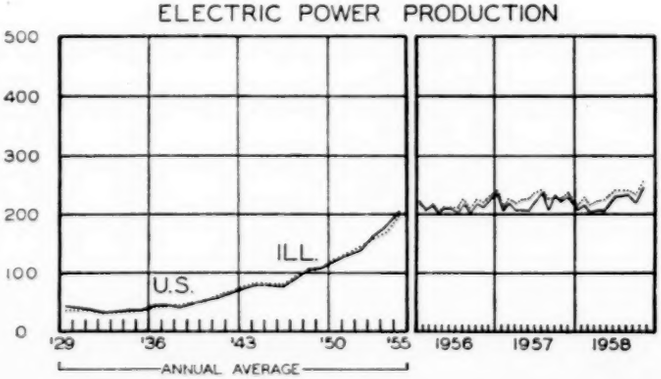
BUSINESS LOANS



CASH FARM INCOME



CONSTRUCTION CONTRACTS AWARDED



ELECTRIC POWER PRODUCTION